



***ANTIETAM SCHOOL DISTRICT***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors  
Antietam School District  
Reading, Pennsylvania**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Antietam School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Antietam School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and the schedule of funding progress - postemployment benefits plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Antietam School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
November 3, 2014**

**ANTIETAM SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**

**June 30, 2014**

The discussion and analysis of Antietam School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

The District and Its Facilities

The Antietam School District serves an area of approximately 5.3 square miles. It is located in Berks County and consists of Lower Alsace Township and Mount Penn Borough. The population of this area is approximately 7,500.

The School District is comprised of three buildings. The Mount Penn Primary Center, opened in August 2005, houses grades K and 1. The Mount Penn Elementary Center houses grades 2 to 6, and the Middle-Senior High School houses grades 7 to 12.

The enrollment at Antietam School District for the 2013-2014 school year was 1,035 students, which was an increase of 11 students over the prior year's enrollment of 1,024. Potential growth has been partially addressed with the 2005 renovations of the former Mt. Penn High School into a Primary Center and six additional classrooms being added to the Middle-Senior High School. The Primary Center has unused space and can accommodate more students, but additional renovations are required before the space would be usable.

**FINANCIAL HIGHLIGHTS**

Taxes, which include property taxes, public utility realty, and earned income taxes, accounted for 61.04% of the District's general revenues, and program specific revenue in the form of grants, entitlements and investment earnings accounted for 38.96% of general revenues.

Governmental activities expenditures in the general fund totaled \$14.9 million, of which \$8.3 million was spent on instructional services, \$4.5 million was spent on support services, \$.4 million was spent on non-instructional services, and \$1.7 million was spent on debt service.

**FINANCIAL STATEMENTS**

The financial statements consist of three parts: Management Discussion and Analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Antietam School District. The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For Antietam, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong, such as student activity and scholarship funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements with the comparison of Antietam School District's budget for the year.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

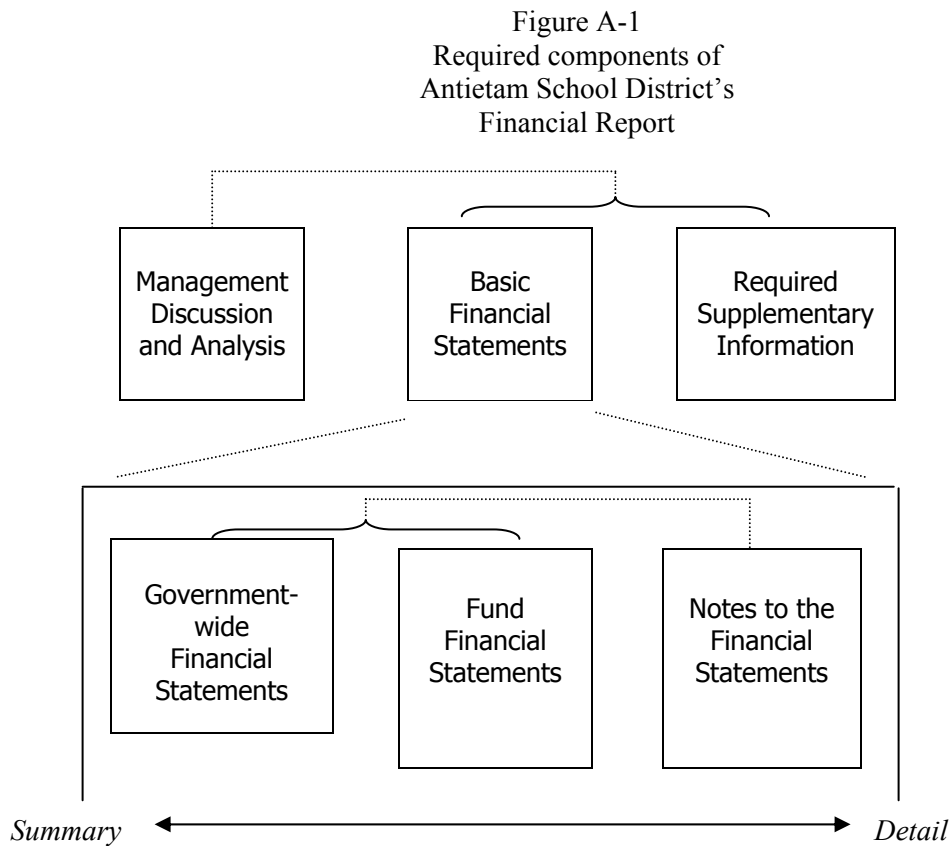


Figure A-2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
 Major Features of Antietam School District's  
 Government-wide and Fund Financial Statements  
 Fund Statements

	Government- Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services.	Activities the District operates similar to private business – Food Services.	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds and student activities monies.
Required financial statements.	Statement of net position Statement of activities.	Balance Sheet Statement of revenues, expenditures, and changes in fund balance.	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows.	Statement of fiduciary net position Statement of changes in fiduciary net position.
Accounting basis and measurement focus.	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information.	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow-outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.



## OVERVIEW OF FINANCIAL STATEMENTS

### Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional factors, such as changes in the projected enrollment of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as instruction, administration and community services. Taxes, state and federal subsidies and grants finance most of these activities.
- Business type activities –The District operates a food service operation and charges fees to staff and students to help it cover the costs of the food service operation.

### Fund Financial Statements

The District's financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

- Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Proprietary funds – These funds are used to account for the District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

The District's total net position was \$5,498,044 at June 30, 2014.

Table A-1  
 Fiscal Years ended June 30, 2013 and June 30, 2014  
 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Current and other assets	\$7,225,993	\$7,877,126	\$55,031	\$42,271	\$7,281,024	\$7,919,397
Capital assets	18,539,284	17,517,273	11,847	9,585	18,551,131	17,526,858
<b>Total Assets</b>	<b>\$25,765,277</b>	<b>\$25,394,399</b>	<b>\$66,878</b>	<b>\$51,856</b>	<b>\$25,832,155</b>	<b>\$25,446,255</b>
Deferred outflows	\$444,074	\$415,135	\$0	\$0	\$444,074	\$415,135
Current liabilities	\$ 1,365,277	\$2,672,331	\$ 8,776	\$ 9,309	\$ 1,374,053	\$2,681,640
Long-term liabilities	19,552,191	17,681,706	0	0	19,552,191	17,681,706
<b>Total Liabilities</b>	<b>\$20,917,468</b>	<b>\$20,354,037</b>	<b>\$8,776</b>	<b>\$9,309</b>	<b>\$20,926,244</b>	<b>\$20,363,346</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	(\$279,703)	(\$538,642)	\$11,846	\$9,585	(\$267,857)	(\$529,057)
Restricted	564,399	564,705	0	0	564,399	564,705
Unrestricted	5,007,187	5,429,434	46,256	32,962	5,053,443	5,462,396
<b>Total Net Assets</b>	<b>\$5,291,883</b>	<b>\$5,455,497</b>	<b>\$58,102</b>	<b>\$42,547</b>	<b>\$5,349,985</b>	<b>\$5,498,044</b>

A portion of the District's net position is invested in or restricted for capital assets (buildings, land, and equipment). The unrestricted portion of the District's net position at June 30, 2014 is \$5,462,396.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The largest general revenue category is taxes.

Table A-2 takes the information from that Statement and rearranges it slightly so you can see our total revenues for the year.

Table A-2  
 Fiscal Years ended June 30, 2013 and June 30, 2014  
 Changes in Net Assets from Operating Results

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
<b>Revenues</b>						
Program Revenue						
Charges for services	\$ 84,352	\$ 65,683	\$217,544	\$154,124	\$ 301,896	\$ 219,807
Operating grants & contributions	1,971,736	2,127,228	265,054	290,826	2,236,790	2,418,054
Capital grants and contributions	96,015	100,196	0	0	96,015	100,196
General revenues	12,775,970	13,100,134	6	5	12,775,976	13,100,139
<b>Total Revenues</b>	<b>\$14,928,073</b>	<b>\$15,393,241</b>	<b>\$482,598</b>	<b>\$444,955</b>	<b>\$15,410,677</b>	<b>\$15,838,196</b>
<b>Expenses</b>						
Regular Instruction	\$6,188,767	\$6,338,846	\$ 0	\$ 0	\$6,188,767	\$6,338,846
Special Instruction	2,106,863	2,265,553	0	0	2,106,863	2,265,553
Vocational Instruction	369,959	353,688	0	0	369,959	353,688
Other Instructional Programs	56,194	10,574	0	0	56,194	10,574
Non-Public Instruction	0	3,753	0	0	0	3,753
Pupil Personnel	515,509	556,729	0	0	515,509	556,729
Instructional Staff	350,914	463,695	0	0	350,914	463,695
Administration	1,345,998	1,389,128	0	0	1,345,998	1,389,128
Pupil Health	148,541	159,002	0	0	148,541	159,002
Business Services	384,679	352,349	0	0	384,679	352,349
Operation & Maintenance of Plant	1,705,753	1,698,677	0	0	1,705,753	1,698,677
Student Transportation Services	175,756	167,928	0	0	175,756	167,928
Central Services	322,643	266,337	0	0	322,643	266,337
Other Support Services	8,862	8,929	0	0	8,862	8,929
Student Activities	338,601	348,633	0	0	338,601	348,633
Community Services	11,755	14,880	0	0	11,755	14,880
Interest on Long-Term Debt	677,062	830,926	0	0	677,062	830,926
Refund of Prior Year Revenue	0	0	0	0	0	0
Food Services	0	0	463,117	460,510	463,117	460,510
<b>Total Expenses</b>	<b>\$14,707,856</b>	<b>\$15,229,627</b>	<b>\$463,117</b>	<b>\$460,510</b>	<b>\$15,170,973</b>	<b>\$15,690,137</b>
<b>Increase(Decrease) in Net Assets</b>	<b>\$220,217</b>	<b>\$163,614</b>	<b>\$19,487</b>	<b>(\$15,555)</b>	<b>\$239,704</b>	<b>\$148,059</b>

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's total cost of services and net cost (total cost less revenues generated by the activities) for each function. This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local revenue and other miscellaneous revenues.

Table A-3  
 Fiscal Years ended June 30, 2013 and June 30, 2014  
 Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2013</u>	<u>2014</u>	<u>2013-14</u>	<u>2013</u>	<u>2014</u>	<u>2013-14</u>
Regular Instruction	\$6,188,767	\$6,338,846	2.43%	\$5,447,381	\$5,558,222	2.03%
Special Instruction	2,106,863	2,265,553	7.53%	1,340,389	1,460,374	8.95%
Vocational Instruction	369,959	353,688	-4.40%	369,959	353,688	-4.40%
Other Instructional Programs	56,194	10,574	-81.18%	55,240	7,343	-86.71%
Non-Public Instruction	0	3,753	100.00%		3,753	100.00%
Pupil Personnel	515,509	556,729	8.00%	413,224	438,188	6.04%
Instructional Staff	350,914	463,695	32.14%	322,915	429,844	33.11%
Administration	1,345,998	1,389,128	3.20%	1,253,686	1,273,074	1.55%
Pupil Health	148,541	159,002	7.04%	114,590	121,581	6.10%
Business Services	384,679	352,349	-8.40%	362,879	322,812	-11.04%
Operation & Maintenance of Plant	1,705,753	1,698,677	-0.41%	1,646,614	1,627,010	-1.19%
Student Transportation Services	175,756	167,928	-4.45%	54,922	66,991	21.97%
Central Services	322,643	266,337	-17.45%	260,906	203,766	-21.90%
Other Support Services	8,862	8,929	0.76%	8,862	8,929	0.76%
Student Activities	338,601	348,633	2.96%	312,176	316,807	1.48%
Community Services	11,755	14,880	26.58%	10,963	13,408	22.30%
Interest on Long-Term Debt	677,062	830,926	22.73%	581,047	730,730	25.76%
Refund of Prior Year Revenue	0	0	0.00%	0	0	0.00%
	<u>\$14,707,856</u>	<u>\$15,229,627</u>	<u>3.55%</u>	<u>\$12,555,753</u>	<u>\$12,936,520</u>	<u>3.03%</u>

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4  
 Fiscal Years ended June 30, 2013 and June 30, 2014  
 Net Cost of Business-type Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2013</u>	<u>2014</u>	<u>2013-14</u>	<u>2013</u>	<u>2014</u>	<u>2013-14</u>
Food Services	<u>\$463,117</u>	<u>\$460,510</u>	<u>-0.56%</u>	<u>\$19,481</u>	<u>(\$15,560)</u>	<u>-179.87%</u>

The Statement of Revenues, Expenses and Changes in Net Position for the proprietary fund will further detail the actual results of operations.

### Fund Balances

At June 30, 2014, the District's governmental funds reported a combined fund balance of \$6,030,982, which is an increase of \$445,405 from June 30, 2013. The increase in the fund balance is due to a combination of revenue and expenditure variances. Under revenues, the District received an increase in Real Estate Transfer Taxes, based on an increase in the number of properties transferring ownership in the district, as well as Delinquent Real Estate Taxes and Title I funding. Under expenditures, salaries and benefits came in under budget due to staffing changes and their corresponding benefits, as well as lower than anticipated special education costs, which can vary from year to year depending on the needs of students.

#### General Fund:

The unassigned fund balance of \$1,532,274 is 9.3% of the general fund expenditures. The committed fund balance of \$3,334,263 will be used primarily for future retirement costs, which are projected to increase from 16.93% of salaries in 2013-2014 to 30.25% of salaries in 2017-2018.

#### Capital Projects Fund:

The restricted fund balance of \$564,705 will be used for the repair, maintenance, and replacement of the District's capital assets on a prioritized basis, as approved by the Board of School Directors.

### General Fund Budget

During the fiscal year the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided.

The Budgetary Reserve includes amounts that may be transferred into expenditure accounts for unplanned expenditures. These amounts will only be appropriated into expenditure categories when the expenditure is necessary for the operation of the District. Any budget reserve amount not appropriated during the year will become part of the unreserved fund balance and available for future years' budgeting.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2014, the District had \$17,517,273 in governmental activities and \$9,585 in business-type activities invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

Table A-5  
 Governmental and Business-Type Activities  
 Fiscal years ended June 30, 2013 and June 30, 2014  
 Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Land	\$ 310,056	\$ 310,056	\$ 0	\$ 0	\$ 310,056	\$ 310,056
Land Improvements	152,463	143,307	0	0	152,463	143,307
Buildings and Building Improvements	17,166,766	16,138,156	0	0	17,166,766	16,138,156
Fixtures and Equipment	909,999	925,754	11,847	9,585	921,846	935,339
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 18,539,284</u>	<u>\$ 17,517,273</u>	<u>\$11,847</u>	<u>\$9,585</u>	<u>\$18,551,131</u>	<u>\$17,526,858</u>

Debt Administration

Bond Obligations – As of June 30, 2013 and June 30, 2014 the Antietam School District had outstanding bond obligations of \$19,120,000 and \$18,265,000, respectively.

Leases – The District has entered into two capital leases for technology equipment and four operating leases for copiers.

Other obligations include accrued vacation pay and sick leave for specific employees of the District.

**FACTORS BEARING ON ANTIETAM SCHOOL DISTRICT'S FUTURE**

Factors that will affect the future finances of the District are employee health benefits, PSERS retirement rates (2014-2015 actual: 21.40%; 2015-2016 projected: 25.84%; and 2016-2017 projected: 29.27%), collective bargaining agreements with the Education Association, and future funding by the Pennsylvania Department of Education.

## **CONTACTING THE SCHOOL FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board of School Director's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Antietam School District, 100 Antietam Road, Reading, PA 19606.

**ANTIETAM SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2014**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 6,721,745	\$ 24,507	\$ 6,746,252
Taxes Receivable, Net	586,214	-	586,214
Internal Balances	120	(120)	-
Intergovernmental Receivables	532,388	-	532,388
Other Receivables	34,739	4,615	39,354
Inventories	-	13,269	13,269
Prepaid Expenses	1,920	-	1,920
Capital Assets Not Being Depreciated:			
Land	310,056	-	310,056
Capital Assets, Net of Accumulated Depreciation:			
Building and Building Improvements	16,138,156	-	16,138,156
Land Improvements	143,307	-	143,307
Furniture and Equipment	925,754	9,585	935,339
	<u>25,394,399</u>	<u>51,856</u>	<u>25,446,255</u>
<b>TOTAL ASSETS</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Bond Refunding	415,135	-	415,135
	<u>415,135</u>	<u>-</u>	<u>415,135</u>
<b>LIABILITIES</b>			
Accounts Payable	200,198	6,653	206,851
Intergovernmental Payables	113,510	-	113,510
Accrued Salaries and Benefits	1,059,813	-	1,059,813
Accrued Interest	172,425	-	172,425
Unearned Revenues	441	2,656	3,097
Noncurrent Liabilities			
Due Within One Year	1,125,944	-	1,125,944
Bonds Payable, Net	17,356,825	-	17,356,825
Capital Leases Payable	75,074	-	75,074
Long-Term Portion of Compensated Absences	153,277	-	153,277
Postemployment Benefit Obligation	96,530	-	96,530
	<u>20,354,037</u>	<u>9,309</u>	<u>20,363,346</u>
<b>TOTAL LIABILITIES</b>			
<b>NET POSITION</b>			
Net Investment in Capital Assets	(538,642)	9,585	(529,057)
Restricted for Capital Projects	564,705	-	564,705
Unrestricted	5,429,434	32,962	5,462,396
	<u>5,455,497</u>	<u>42,547</u>	<u>5,498,044</u>
<b>TOTAL NET POSITION</b>			

See accompanying notes.



ANTIETAM SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 6,338,846	\$ 10,718	\$ 769,906	\$ -	\$ (5,558,222)	\$ -	\$ (5,558,222)
Special	2,265,553	27,670	777,509	-	(1,460,374)	-	(1,460,374)
Vocational	353,688	-	-	-	(353,688)	-	(353,688)
Other Instructional Programs	10,574	2,695	536	-	(7,343)	-	(7,343)
Non-Public Instruction	3,753	-	-	-	(3,753)	-	(3,753)
Total Instructional Services	8,972,414	41,083	1,547,951	-	(7,383,380)	-	(7,383,380)
<b>Support Services:</b>							
Pupil Personnel	556,729	-	118,541	-	(438,188)	-	(438,188)
Instructional Staff	463,695	-	33,851	-	(429,844)	-	(429,844)
Administration	1,389,128	-	116,054	-	(1,273,074)	-	(1,273,074)
Pupil Health	159,002	-	37,421	-	(121,581)	-	(121,581)
Business Services	352,349	-	29,537	-	(322,812)	-	(322,812)
Operation of Plant and Maintenance Services	1,698,677	16,507	55,160	-	(1,627,010)	-	(1,627,010)
Student Transportation Services	167,928	-	100,937	-	(66,991)	-	(66,991)
Central Support Services	266,337	-	62,571	-	(203,766)	-	(203,766)
Other Support Services	8,929	-	-	-	(8,929)	-	(8,929)
Total Support Services	5,062,774	16,507	554,072	-	(4,492,195)	-	(4,492,195)
<b>Noninstructional Services:</b>							
Student Activities	348,633	8,093	23,733	-	(316,807)	-	(316,807)
Community Services	14,880	-	1,472	-	(13,408)	-	(13,408)
Interest on Long-Term Debt	830,926	-	-	100,196	(730,730)	-	(730,730)
Total Noninstructional Services	1,194,439	8,093	25,205	100,196	(1,060,945)	-	(1,060,945)
<b>Total Governmental Activities</b>	<b>15,229,627</b>	<b>65,683</b>	<b>2,127,228</b>	<b>100,196</b>	<b>(12,936,520)</b>	<b>-</b>	<b>(12,936,520)</b>
<b>Business-Type Activities:</b>							
Food Services	460,510	154,124	290,826	-	-	(15,560)	(15,560)
<b>Total Primary Government</b>	<b>\$ 15,690,137</b>	<b>\$ 219,807</b>	<b>\$ 2,418,054</b>	<b>\$ 100,196</b>	<b>(12,936,520)</b>	<b>(15,560)</b>	<b>(12,952,080)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					8,949,584	-	8,949,584
Public Utility Realty, Earned Income and Mercantile Taxes					910,225	-	910,225
Grants, Subsidies, and Contributions Not Restricted for Specific Programs					3,210,169	-	3,210,169
Investment Earnings					11,204	5	11,209
Miscellaneous Income					18,952	-	18,952
<b>Total General Revenues</b>					<b>13,100,134</b>	<b>5</b>	<b>13,100,139</b>
<b>Change in Net Position</b>					<b>163,614</b>	<b>(15,555)</b>	<b>148,059</b>
<b>Net Position - Beginning</b>					<b>5,291,883</b>	<b>58,102</b>	<b>5,349,985</b>
<b>Net Position - Ending</b>					<b>\$ 5,455,497</b>	<b>\$ 42,547</b>	<b>\$ 5,498,044</b>

See accompanying notes.

**ANTIETAM SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2014**

	<u>General</u>	<u>Capital Projects (Nonmajor)</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments	\$ 6,157,040	\$ 564,705	\$ 6,721,745
Taxes Receivable	597,483	-	597,483
Interfund Receivables	662	-	662
Intergovernmental Receivables	532,388	-	532,388
Other Receivables	34,197	-	34,197
Prepaid Expenditures	1,920	-	1,920
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u>\$ 7,323,690</u>	<u>\$ 564,705</u>	<u>\$ 7,888,395</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 200,198	\$ -	\$ 200,198
Intergovernmental Payables	113,510	-	113,510
Accrued Salaries and Benefits	1,059,813	-	1,059,813
Unearned Revenues	441	-	441
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	1,373,962	-	1,373,962
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Taxes	483,451	-	483,451
<b>FUND BALANCES</b>			
Nonspendable for Prepaid Expenditures	1,920	-	1,920
Restricted Fund Balance	-	564,705	564,705
Assigned Fund Balance	597,820	-	597,820
Committed Fund Balance	3,334,263	-	3,334,263
Unassigned Fund Balance	1,532,274	-	1,532,274
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL FUND BALANCES</b>	<u>5,466,277</u>	<u>564,705</u>	<u>6,030,982</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<u>\$ 7,323,690</u>	<u>\$ 564,705</u>	<u>\$ 7,888,395</u>

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2014

Amounts reported for governmental activities in the statement  
of net position (page 3) are different because:

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 5)** \$ 6,030,982

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$34,600,984 and the accumulated depreciation is \$17,083,711. 17,517,273

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds. 472,182

Long-term liabilities, including bonds payable and capital lease payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$ (18,265,000)	
Accrued Interest on Bonds	(172,425)	
Deferred Charge on Bond Refunding	415,135	
Unamortized Bond Discount	78,785	
Unamortized Bond Premium	(50,610)	
Capital Leases	(234,225)	
Compensated Absences	(240,070)	
Postemployment Benefit Obligation	(96,530)	(18,564,940)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 5,455,497

**ANTIETAM SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2014**

	General	Capital Projects (Nonmajor)	Total Governmental Funds
<b>REVENUES</b>			
Local Sources	\$ 9,721,637	\$ 306	\$ 9,721,943
State Sources	5,424,944	-	5,424,944
Federal Sources	225,904	-	225,904
<b>TOTAL REVENUES</b>	<b>15,372,485</b>	<b>306</b>	<b>15,372,791</b>
<b>EXPENDITURES</b>			
Current			
Instructional Services	8,264,716	-	8,264,716
Support Services	4,534,136	-	4,534,136
Operation of Noninstructional Services	368,662	-	368,662
Capital Outlay	97,840	-	97,840
Debt Service			
Principal	1,015,813	-	1,015,813
Interest	646,219	-	646,219
<b>TOTAL EXPENDITURES</b>	<b>14,927,386</b>	<b>-</b>	<b>14,927,386</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>445,099</b>	<b>306</b>	<b>445,405</b>
<b>FUND BALANCES - BEGINNING</b>	<b>5,021,178</b>	<b>564,399</b>	<b>5,585,577</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 5,466,277</b>	<b>\$ 564,705</b>	<b>\$ 6,030,982</b>

**ANTIETAM SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2014**

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Amounts reported for governmental activities in the statement  
of activities (page 4) are different because:

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (page 7)** \$ 445,405

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlays	\$ 433,020	
Less: Depreciation Expense	<u>(1,455,031)</u>	(1,022,011)

Because some property taxes will not be collected for several months after the District's year-end, they are not considered as "available" revenues in the governmental funds. Unavailable revenues increased (decreased) by this amount during the year. 20,451

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these transactions in the statement of activities is shown below:

Repayment of Bond Principal	855,000	
Amortization of Bond Discount	(5,561)	
Amortization of Bond Premium	7,103	
Amortization of Deferred Charge on Bond Refunding	(28,939)	
Capital Lease Obligations Incurred	(225,342)	
Payments on Capital Lease Obligations	<u>160,813</u>	763,074

ANTIETAM SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CONTINUED

For the Year Ended June 30, 2014

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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the difference in interest accrued and interest paid.

4,165

In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

13,604

Postemployment benefits are recognized when they are paid on the fund statements. With the implementation of GASB #45, an estimated liability for future benefits due will be phased in over several years. This amount represents the difference between the estimated annual cost and the amount paid.

(61,074)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

\$ 163,614

**ANTIETAM SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

**June 30, 2014**

	Enterprise Fund Food Service
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Investments	\$ 24,507
Accounts Receivable	4,615
Inventories	13,269
<b>TOTAL CURRENT ASSETS</b>	42,391
<b>NONCURRENT ASSETS</b>	
Machinery and Equipment, Net	9,585
<b>TOTAL ASSETS</b>	<b>51,976</b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	6,653
Interfund Payables	120
Unearned Revenues	2,656
<b>TOTAL CURRENT LIABILITIES</b>	9,429
<b>NET POSITION</b>	
Net Investment in Capital Assets	9,585
Unrestricted	32,962
<b>TOTAL NET POSITION</b>	<b>\$ 42,547</b>

**ANTIETAM SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND**

**For the Year Ended June 30, 2014**

	<u>Enterprise Fund Food Service</u>
<b>OPERATING REVENUES</b>	
Food Service Revenue	\$ 154,124
<b>OPERATING EXPENSES</b>	
Salaries	162,331
Employee Benefits	48,332
Purchased Property Services	22,250
Other Purchased Services	94
Supplies	224,499
Depreciation	2,261
Other Expenses	<u>743</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>460,510</u>
<b>OPERATING LOSS</b>	(306,386)
<b>NONOPERATING REVENUES</b>	
Local Sources - Earnings on Investments	5
State Sources	37,842
Federal Sources	<u>252,984</u>
<b>TOTAL NONOPERATING REVENUES</b>	<u>290,831</u>
<b>CHANGE IN NET POSITION</b>	(15,555)
<b>NET POSITION - BEGINNING</b>	<u>58,102</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 42,547</u></u>



ANTIETAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

For the Year Ended June 30, 2014

	<u>Enterprise Fund Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 154,441
Cash Payments to Employees for Services	(210,938)
Cash Payments to Suppliers for Goods and Services	<u>(218,452)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	(274,949)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Sources	38,074
Federal Sources	<u>231,412</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	269,486
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	<u>5</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(5,458)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>29,965</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 24,507</u></u>

**ANTIETAM SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS - CONTINUED**  
**PROPRIETARY FUND**

**For the Year Ended June 30, 2014**

	Enterprise Fund Food Service
<b><u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u></b>	
Operating Loss	\$ (306,386)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	2,261
Donated Commodities Used	25,038
Changes in Assets and Liabilities:	
Receivables	(671)
Inventories	2,899
Prepaid Expenses	1,380
Accounts Payable	(183)
Accrued Salaries and Benefits	(275)
Unearned Revenues	988
Total Adjustments	31,437
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (274,949)</b>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the District used \$25,038 of commodities from the U.S. Department of Agriculture.

**ANTIETAM SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**

**June 30, 2014**

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds Student Activities</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,672	\$ 57,369
Investments	<u>1,348</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,020</u></u>	<u><u>\$ 57,369</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Interfund Payable	\$ -	\$ 542
Other Current Liabilities	<u>-</u>	<u>56,827</u>
<b>TOTAL LIABILITIES</b>	-	<u><u>\$ 57,369</u></u>
<b>NET POSITION</b>		
Held in Trust for Scholarships	<u><u>\$ 5,020</u></u>	

**ANTIETAM SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**

**For the Year Ended June 30, 2014**

	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Earnings on Investments	\$ -
<b>DEDUCTIONS</b>	
Scholarships	<u>620</u>
<b>CHANGE IN NET POSITION</b>	(620)
<b>NET POSITION - BEGINNING</b>	<u>5,640</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 5,020</u></u>

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

Antietam School District is located in Berks County, Pennsylvania. The District tax base consists of Lower Alsace Township and the Borough of Mount Penn.

The Antietam School District (the "District") is governed by a board of nine school directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

##### A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, etc.) within its reporting entity. The criteria used by the District for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the District reviews the applicability of the following criteria. The District is financially accountable for:

- Organizations that make up the legal District entity.
- Legally separate organizations if District officials appoint a voting majority of the organizations' governing body and the District is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District as defined below.

**Impose its will** - If the District can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**A. Reporting Entity - continued**

**Financial benefit or burden** - exists if the District (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization; or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the District. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issued bonded debt without approval by the District.

Based on the foregoing criteria, the District has determined it has no component units.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

**Joint Venture:** The District is a participating member of the Berks Career and Technology Center. See Note 11 for details of involvement and financial information of the joint venture.

**Jointly Governed Organizations:** The District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve BCIU's annual operating budget.

The BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the BCIU. The BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### **B. Basis of Presentation - Government-Wide Financial Statements**

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Governmental activities are supported by taxes and intergovernmental revenues while business-type activities are supported by user charges and fees. The statement of activities demonstrates the level to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include charges to customers or others who purchase, use or directly benefit from services or goods provided by a given function or grants and contributions that are restricted to meet the operational or capital requirements of a function. Other items not includable in program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component units from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

##### **C. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprises funds are reported as separate columns in the fund financial statements.

##### **The District Reports the Following Major Governmental Fund:**

**General Fund:** This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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C. Basis of Presentation - Fund Financial Statements - continued

**The District has the Following Major Enterprise Fund:**

**Food Service Fund:** This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

**Additionally, the District Reports the Following Fund Type:**

**Fiduciary Funds:** The District's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and, therefore, are not available to support the District's own programs. The District's only trust funds are the private-purpose trusts. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's student activity fund is an agency fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as interfund receivables/payables and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.



ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund and private purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Budgetary Information**

**1. Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund in accordance with the PA School Code of 1949, as amended. Budgetary control is legally maintained at the function level within the General Fund. The PA School Code allows the District board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the school directors approving the transfer.

All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Appropriations, except unexpended grant appropriations and encumbrances, lapse at the end of each fiscal year.

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance**

**1. Cash and Investments**

The District's reporting entity considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value (generally based on quoted market prices).

**2. Receivables/Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

3. Inventories and Prepaid Items

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the policy of the District to charge these items to expense upon acquisition.

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2014, consist of the following:

Purchased food and supplies	\$ 10,613
Donated commodities	<u>2,656</u>
	<u>\$ 13,269</u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets, Depreciation, and Amortization

The District generally capitalizes assets with cost of \$1,500 or more as purchase and construction outlays occur. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	45
Building improvements	7 - 30
Land improvements	15 - 20
Furniture and equipment	3 - 15
Vehicles	5 - 10

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**4. Capital Assets, Depreciation, and Amortization - continued**

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over estimated useful lives (5 to 10 years).

Interest costs incurred during the construction phase of capital assets are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets.

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category, which is a deferred charge on bond refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**6. Unearned Revenues**

Revenues that are received but not earned are reported as unearned revenues in the government-wide and fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**7. Net Position Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted resources to have been depleted before unrestricted resources are applied.

**8. Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balances, the District's policy is to use committed first, followed by assigned and unassigned.

**9. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of school directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**9. Fund Balance Policies - continued**

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The District's business manager or designee may assign fund balance ratified by the board of school directors. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Pursuant to the District's fund balance policy, the District will strive to maintain an unassigned fund balance of not less than eight percent and not more than ten percent of the following year's projected budgeted expenditures.

**G. Revenues and Expenditures/Expense**

**1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operations or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Compensated Absences**

Vested or accumulated vacation and sick leave expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. Vested or accumulated vacation or sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits, however, a liability is recognized for the portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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G. Revenues and Expenditures/Expense - continued

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for meals and services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. Other Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

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The deposit and investment policy of the District adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

The breakdown of total cash and investments at June 30, 2014 is as follows:

Petty cash	\$	450
Certificate of deposit		1,348
Cash		4,131
Pooled cash and investments		<u>6,802,712</u>
	\$	<u>6,808,641</u>

**ANTIETAM SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 2 - CASH AND INVESTMENTS - CONTINUED**

**Cash**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. As of June 30, 2014, the carrying amount of the District's deposits was \$4,131 and the bank balance was \$4,331. Of the bank balance, \$4,331 was covered by federal depository insurance.

A portion of the District's deposits are in the Pennsylvania Local Government Investment Trust (PLIGIT) and the Pennsylvania State Treasury Invest. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

**Investments**

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approval collateral as provided by law, therefore, shall be pledged by the depository.

As of June 30, 2014, the District had the following investments which include \$30,914 of reconciling items:

	Maturities	Fair Value
Certificates of Deposit	12 months	\$ 1,348
PA Local Government Investment Trust		6,660,530
PA Invest		173,096
Total Investments		\$ 6,834,974

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLIGIT and Pennsylvania State Treasury Invest act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. The above certificates of deposit are individually covered by federal depository insurance.



**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 2 - CASH AND INVESTMENTS - CONTINUED**

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**Interest Rate Risk**

The District has an investment policy that would limit its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2014, the District's investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
PA Local Government Investment Trust	AAA
PA Invest	AAA

**Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer. District investments in authorized instruments not backed by the federal or state government shall be limited to the two highest applicable credit ratings. All other investments require board notification.

**Custodial Credit Risk**

For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

**NOTE 3 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE**

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Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$258,668,500. The District's tax rate for the year ended June 30, 2014 was \$34.56 per \$1,000 of assessed valuation. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	- Full year tax assessed for current year.
July 1 - August 31	- Discount period during which a 2% discount is allowed
September 1 - October 31	- Face amount of tax is due.
November 1 - January 14	- A 10% penalty is added to all payments.
January 15	- All taxes unpaid become delinquent and are turned over to the County Tax Claim Bureau for collection.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 3 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED**

Installment payments of the face amount of the property tax can be made by the following dates - July 31, September 15, October 31, and December 15.

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance unavailable in the fund financial statements.

The balances at June 30, 2014 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue - Taxes
Real estate	\$ 563,446	\$ 11,269	\$ 552,177	\$ 68,726	\$ 483,451
Transfer tax	2,363	-	2,363	2,363	-
Earned income tax	31,674	-	31,674	31,674	-
	<u>\$ 597,483</u>	<u>\$ 11,269</u>	<u>\$ 586,214</u>	<u>\$ 102,763</u>	<u>\$ 483,451</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

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The following schedule represents intergovernmental receivables and payables at June 30, 2014:

	<u>General Fund</u>
<b><u>Receivables</u></b>	
<b><u>Local Sources</u></b>	
Berks County Intermediate Unit	\$ 196,869
Other Local Education Agencies	48,833
Total Local Sources	<u>245,702</u>
<b><u>State Sources</u></b>	
Commonwealth of PA - Social Security	20,905
Commonwealth of PA - Retirement	225,783
Commonwealth of PA - Rental	13,069
Commonwealth of PA - Migratory Childred	40
Total State Sources	<u>259,797</u>
<b><u>Federal Sources</u></b>	
Federal Subsidies - Title I	26,889
Total Federal Sources	<u>26,889</u>
<b>Total Intergovernmental Receivables</b>	<b><u><u>\$ 532,388</u></u></b>
<b><u>Payables</u></b>	
<b><u>Local Sources</u></b>	
Berks County Intermediate Unit	\$ 31,832
Borough of Mt. Penn	4,478
Mount Penn BMA	6,501
Other Local Education Agencies	27,169
	<u>69,980</u>
<b><u>State Sources</u></b>	
Commonwealth of PA - State Subsidies	43,408
<b><u>Federal Sources</u></b>	
Federal Subsidies - Title II	122
<b>Total Intergovernmental Payables</b>	<b><u><u>\$ 113,510</u></u></b>

**ANTIETAM SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 5 - INTERFUND BALANCES**

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**Interfund Balances**

The following schedule represents the interfund balances at June 30, 2014:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 662	\$ -
Enterprise Fund - Food Service	-	120
Agency - Student Activities Fund	-	542
	<u>\$ 662</u>	<u>\$ 662</u>

Interfund receivables and payables resulted from the time lag between dates that interfund goods and services were provided and when payments between funds are made.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2014 was as follows:

**Governmental Activities**

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 310,056	\$ -	\$ -	\$ 310,056
Capital assets being depreciated:				
Buildings/building improvements	30,731,837	120,971	-	30,852,808
Land Improvements	183,115	-	-	183,115
Furniture and equipment	2,942,956	312,049	-	3,255,005
Totals being depreciated	<u>33,857,908</u>	<u>433,020</u>	<u>-</u>	<u>34,290,928</u>
Less accumulated depreciation for:				
Buildings/building improvements	13,565,071	1,149,581	-	14,714,652
Land Improvements	30,652	9,156	-	39,808
Furniture and equipment	2,032,957	296,294	-	2,329,251
Total accumulated depreciation	<u>15,628,680</u>	<u>1,455,031</u>	<u>-</u>	<u>17,083,711</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>18,229,228</u>	<u>(1,022,011)</u>	<u>-</u>	<u>17,207,217</u>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 18,539,284</u>	<u>\$ (1,022,011)</u>	<u>\$ -</u>	<u>\$ 17,517,273</u>

**Business-Type Activities**

Capital assets being depreciated:				
Machinery and equipment	\$ 305,735	\$ -	\$ -	\$ 305,735
Less accumulated depreciation for:				
Machinery and equipment	293,889	2,261	-	296,150
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 11,846</u>	<u>\$ (2,261)</u>	<u>\$ -</u>	<u>\$ 9,585</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 - CHANGES IN CAPITAL ASSETS - CONTINUED

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Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

Instruction:	
Regular	\$ 805,466
Special	12,114
	<u>817,580</u>
Support Services:	
Pupil Personnel	2,418
Instructional Staff	38,085
Administration	6,773
Pupil Health	1,023
Business Services	18,653
Operation of Plant and Maintenance Services	512,800
Student Transportation Services	14,158
Central Support Services	41,196
	<u>635,106</u>
Noninstructional Services-Student Activities	<u>2,345</u>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>1,455,031</u></b>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 7 - LONG-TERM LIABILITIES

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Bonds payable at June 30 are as follows:

General Obligation Bonds, Series of 2010A:

The General Obligation Bonds, Series of 2010A, aggregate principal of \$1,500,000, were issued February 22, 2010 for the purpose of providing funds to: (1) finance various capital projects of the District, and (2) pay bond issuance costs. The bonds mature from April 2010 to April 2029. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1.00% to 4.20%.

\$ 1,480,000

General Obligation Bonds, Series of 2010B:

The General Obligation Bonds, Series of 2010B, aggregate principal of \$6,305,000, were issued February 22, 2010 for the purpose of providing funds to: (1) currently refund a portion of the District's General Obligation Bonds, Series of 2003, (2) currently refund the District's General Obligation Bonds, Series 2005, and (3) pay bond issuance costs. The bonds mature from April 2010 to April 2027. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1.00% to 4.05%.

5,560,000

General Obligation Bonds, Series of 2011:

The General Obligation Bonds, Series of 2011, aggregate principal of \$3,095,000, were issued May 3, 2011 for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2003, (2) finance various capital projects of the District, and (3) pay bond issuance costs. The bonds mature from September 2011 to September 2028. Interest is payable semi-annually on March 1 and September 1. Interest rates vary from 1.00% to 4.375%. The economic gain or loss on refunding was immaterial.

2,565,000

General Obligation Bonds, Series of 2012:

The General Obligation Bonds, Series of 2012, aggregate principal of \$6,980,000, were issued January 25, 2011 for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2006 and (2) pay bond issuance costs. The bonds mature from April 2012 to April 2035. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 0.410% to 4.125%. The economic gain or loss on refunding was immaterial.

6,480,000

General Obligation Bonds, Series of 2012A:

The General Obligation Bonds, Series of 2012, aggregate principal of \$2,565,000, were issued May 18, 2012 for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2007 and (2) pay bond issuance costs. The bonds mature from August 2012 to August 2021. Interest is payable semi-annually on February 15 and August 15. Interest rates vary from 0.350% to 3.000%. The economic gain or loss on refunding was immaterial.

2,180,000

TOTAL BONDS PAYABLE \$ 18,265,000

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

The future annual payments required to amortize all outstanding bonds are as follows:

	Series of 2010A	Series of 2010B	Series of 2011	Series of 2012	Series of 2012A	Bonds Payable	Total Interest
2015	\$ 5,000	\$ 385,000	\$ 15,000	\$ 230,000	\$ 245,000	\$ 880,000	\$ 625,203
2016	5,000	390,000	15,000	230,000	260,000	900,000	601,954
2017	5,000	395,000	15,000	245,000	265,000	925,000	576,926
2018	5,000	420,000	15,000	245,000	265,000	950,000	550,185
2019	5,000	425,000	15,000	255,000	280,000	980,000	521,435
2020 - 2024	25,000	2,010,000	1,045,000	1,375,000	865,000	5,320,000	2,154,563
2025 - 2029	1,430,000	1,535,000	1,445,000	1,580,000	-	5,990,000	1,144,875
2030 - 2034	-	-	-	1,890,000	-	1,890,000	323,175
2035	-	-	-	430,000	-	430,000	17,738
	<u>\$ 1,480,000</u>	<u>\$ 5,560,000</u>	<u>\$ 2,565,000</u>	<u>\$ 6,480,000</u>	<u>\$ 2,180,000</u>	<u>\$ 18,265,000</u>	<u>\$ 6,516,054</u>

**Capital Lease Obligations**

The District is obligated under capital leases for certain computer equipment that expire in 2014/2015 and 2015/2016. The gross amount of such equipment and related accumulated amortization under these capital leases was as follows as of June 30, 2014:

Cost	\$ 821,472
Accumulated Depreciation	<u>458,740</u>
<b>Net Book Value</b>	<u><u>\$ 362,732</u></u>

Depreciation expense on assets held under capital leases was \$118,256 for the year ended June 30, 2014.

Future minimum lease payments under capital lease obligations are as follows:

2014	\$ 164,261
2015	<u>76,756</u>
Total minimum lease payments	241,017
Less imputed interest	<u>(6,792)</u>
	234,225
Less current installments of obligations under capital leases	<u>(159,151)</u>
Obligations under capital leases, excluding current installments	<u><u>\$ 75,074</u></u>



**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

Long-term liability balance and activity, except for postemployment benefit obligation, for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
General Obligation Debt:					
Bonds payable	\$ 19,120,000	\$ -	\$ 855,000	\$ 18,265,000	\$ 880,000
Less deferred amounts:					
For issuance discounts	(84,346)	-	(5,561)	(78,785)	-
For issuance premiums	57,713	-	7,103	50,610	-
Subtotal	<u>19,093,367</u>	<u>-</u>	<u>856,542</u>	<u>18,236,825</u>	<u>880,000</u>
Other Liabilities:					
Capital leases	169,696	225,342	160,813	234,225	159,151
Compensated absences	<u>253,674</u>	<u>140,159</u>	<u>153,763</u>	<u>240,070</u>	<u>86,793</u>
<b>TOTAL GOVERNMENTAL LONG-TERM LIABILITIES</b>	<u><u>\$ 19,516,737</u></u>	<u><u>\$ 365,501</u></u>	<u><u>\$ 1,171,118</u></u>	<u><u>\$ 18,711,120</u></u>	<u><u>\$ 1,125,944</u></u>

Payments on bonds payable and capital leases are made by the general fund. The compensated absences will also be paid from the general fund. Total interest paid during the year ended June 30, 2014 was \$646,219.

**Debt Issued Subsequent to June 30, 2014:**

In June 2014, the Board of School Directors passed a resolution authorizing the issuance of general obligation notes not to exceed \$7,235,000. The notes are to provide funds to currently refund the outstanding General Obligation Bonds Series A and B of 2010 and to pay costs of issuance. In July 2014, the Notes were issued. General Obligation Note A is for \$70,000 with fixed interest of 2.6% with principal and interest due at maturity, April 1, 2015. General Obligation Note B is for \$7,165,000 with fixed interest at 2.6% through April 1, 2022. Beginning April 1, 2022, interest will be a fluctuating rate equal to .75% of the Wall Street Prime, adjusted annually on each April 1 with a floor of 2.44% and a ceiling of 4.2%.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS**

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**Multi-Employer Defined Benefit Pension Plan**

**Plan Description**

The District contributes to a governmental cost-sharing, multiple-employer defined benefit pension plan administered by the commonwealth of Pennsylvania Public School Employees Retirement System (PSERS). Benefit provisions of the Plan are established under the provisions of the PSERS Code (Act No. 96 of October 2, 1975) and may be amended by an act of the Pennsylvania State Legislature. The Plan provides retirement, disability, and death benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the Plan. That report may be obtained by writing to PSERS, PO Box 125, Harrisburg, PA 17108-0125. The publication is also available on the PSERS website at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm).

**Funding Policy**

The contribution policy is set by the Code and requires contributions by active employees and by participating employers. Active members who joined the system prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members joining PSERS on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members joining PSERS after June 30, 2001 contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members joining PSERS on or after July 1, 2011, contribute a 7.5 percent (Membership Class TE) or at 10.30 percent (Membership Class TF). Both membership classes TE and TF contain a "shared risk" which allows for an increase in the contribution percentage up to an additional 2.00 percent based on market results.

The contributions required of participating employers are based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended June 30, 2014, the rate of employer contributions was 16.93 percent of covered payroll. The 16.93 percent rate is composed of a pension contribution rate of 16.00 percent for pension benefits and 0.93 percent for healthcare insurance premium assistance. The District's contributions to PSERS for the years ended June 30, 2014, 2013, and 2012 were \$1,170,536, \$854,340, and \$598,605, respectively.

**403(b) Tax Shelter Plan**

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 9 - OTHER RETIREMENT PLAN**

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The District maintains a Special Pay Deferral Plan for retiring teachers under section 401(a) of the IRS Code. This Plan is designed to handle payments to employees at retirement in a tax-advantaged manner. Payments are based on accumulated sick leave, unused vacation, and a \$5,000 retirement incentive for professional and administrative staff if employed by the District for at least seventeen years. For the year ended June 30, 2014, the District contributed \$26,163 on behalf of its retirees.

**NOTE 10 - POSTEMPLOYMENT HEALTH CARE BENEFITS**

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**Plan Description**

Antietam School District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides healthcare insurance for eligible retirees and their spouses through the District's health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

**Funding Policy**

Contribution requirements also are negotiated between Antietam School District and union representatives. The required contribution is based on pay-as-you-go financing. For eligible employees retired prior to 2007, the retiree pays full premiums for coverage until the earlier of the retiree Medicare eligibility or retiree death. Spouse coverage ends at spouse Medicare eligibility if earlier than above. For eligible employees retired after 2007, the retired plan member must provide payment equal to the premium determined for the purpose of COBRA for continued coverage under the District's health plan. Under all the plans described, coverage is generally provided until the retiree is eligible for Medicare or until retiree's death, whichever is earlier. For the fiscal year ended June 30, 2014, the District contributed \$78,509 to the plan related to retirees.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 10 - POSTEMPLOYMENT HEALTH CARE BENEFITS - CONTINUED**

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 142,468
Interest on net OPEB obligation	1,596
Adjustment to annual required contribution	<u>(4,481)</u>
Annual OPEB Cost	139,583
Contributions made	<u>(78,509)</u>
Increase in net OPEB obligation	61,074
Net OPEB obligation - beginning of year	<u>35,456</u>
 Net OPEB obligation - end of year	 <u><u>\$ 96,530</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 139,583	56.2%	\$ 96,530
6/30/2013	139,442	101.2%	35,456
6/30/2012	179,137	90.2%	37,185

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 10 - POSTEMPLOYMENT HEALTH CARE BENEFITS - CONTINUED**

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**Funded Status and Funding Progress**

As of January 1, 2012, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$760,555, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$760,555. The covered payroll (annual payroll of active employees covered by the Plan) was \$6,311,870, and the ratio of the UAAL to the covered payroll was 12.05 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about actuarial value of plan assets and actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of eight percent initially, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent in 2016 with gradual decreases from 5.3% in 2017 to 4.2% in 2089 and later. The unfunded actuarial accrued liability is being amortized at the end of the year based on level dollar and a ten-year open amortization period.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 11 - JOINT VENTURE**

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The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of the Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2013/14 year was \$314,940.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds were used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of taxable real estate of all participating school districts. The District's share for the 2013/14 year was \$38,748.

Summary financial information as of June 30, 2013 (the most recent information available) is as follows:

<u>Berks Career &amp; Technology Center</u> <u>(Government-Wide - Governmental Activities)</u>	
Total Assets and Deferred Outflows	\$ 32,748,687
Total Liabilities	<u>(16,457,162)</u>
Total Net Assets	<u>\$ 16,291,525</u>

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 12 - FUND BALANCE**

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Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2014 are as follows:

**General Fund**

The general fund has a nonspendable fund balance of \$1,920 related to prepaid expenditures, assigned fund balance of \$597,820 to balance the 2014/15 school budget, committed fund balance of \$3,334,263 for retirement rate increases and unassigned fund balance of \$1,532,274. The commitments were authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

**Capital Projects Fund**

The capital projects fund has restricted funds of \$564,705 comprised of surplus moneys transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by municipal code P.L. 145 Act of April 30, 1943.

**NOTE 13 - RISK MANAGEMENT**

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The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverage for the 2013/2014 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 14 - CONTINGENT LIABILITIES**

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The District receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS**

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The Government Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented by the year ending June 30, 2015. The objective of this statement is to improve accounting and financial reporting by governments for pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. This statement also enhances note disclosure and required supplementary information for government pension plans. This pronouncement applies to employers that have a legal obligation to make contributions directly to a pension plan.
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68 will be implemented at the same time Statement No. 68 is implemented.

Although the District has not yet completed the analyses necessary to estimate the financial statement impact of these new pronouncements, it believes the result will have a negative impact on financial position of the District.



**REQUIRED SUPPLEMENTARY INFORMATION**

**ANTIETAM SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

For the Year Ended June 30, 2014

REVENUES AND OTHER FINANCING SOURCES	Budgeted Amount		Actual (GAAP) Basis	Variances Final to Actual
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 9,655,329	\$ 9,655,329	\$ 9,721,637	\$ 66,308
State Sources	5,443,803	5,443,803	5,424,944	(18,859)
Federal Sources	198,211	198,211	225,904	27,693
<b>TOTAL REVENUES</b>	<b>15,297,343</b>	<b>15,297,343</b>	<b>15,372,485</b>	<b>75,142</b>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
<b>EXPENDITURES - INSTRUCTION</b>				
Regular Programs - Elementary/Secondary	5,787,857	5,728,066	5,641,055	87,011
Special Programs - Elementary/Secondary	2,525,772	2,525,772	2,255,820	269,952
Vocational Education Programs	365,535	365,535	353,688	11,847
Other Instructional Programs - Elementary/Secondary	33,492	33,492	10,440	23,052
Non-Public Instruction Programs	-	3,713	3,713	-
<b>TOTAL INSTRUCTION</b>	<b>8,712,656</b>	<b>8,656,578</b>	<b>8,264,716</b>	<b>391,862</b>
<b>SUPPORT SERVICES</b>				
Pupil Personnel	581,263	581,263	552,057	29,206
Instructional Staff	537,901	462,501	441,284	21,217
Administration	1,356,910	1,433,456	1,393,013	40,443
Pupil Health	164,820	164,952	158,033	6,919
Business	357,425	357,125	332,839	24,286
Operation and Maintenance of Plant Services	1,231,668	1,228,668	1,176,231	52,437
Student Transportation Services	172,733	172,733	153,316	19,417
Central	268,505	323,305	318,433	4,872
Other Support Services	9,000	9,000	8,930	70
<b>TOTAL SUPPORT SERVICES</b>	<b>4,680,225</b>	<b>4,733,003</b>	<b>4,534,136</b>	<b>198,867</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES</b>				
Food Services	8,200	8,500	8,467	33
Student Activities	361,609	361,609	344,652	16,957
Community Services	20,800	20,800	14,880	5,920
Other Non-Instructional Services	-	-	663	(663)
<b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>	<b>390,609</b>	<b>390,909</b>	<b>368,662</b>	<b>22,247</b>
<b>FACILITIES ACQUISITION, CONSTRUCTION, AND IMPROVEMENT SERVICES</b>				
Facilities Acquisition, Construction, and Improvement Services	95,100	95,100	97,840	(2,740)
<b>DEBT SERVICE</b>	<b>1,662,032</b>	<b>1,662,032</b>	<b>1,662,032</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>15,540,622</b>	<b>15,537,622</b>	<b>14,927,386</b>	<b>610,236</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(243,279)</b>	<b>(240,279)</b>	<b>445,099</b>	<b>685,378</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds	-	(3,000)	-	3,000
Budgetary Reserve	(100,000)	(100,000)	-	100,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(100,000)</b>	<b>(103,000)</b>	<b>-</b>	<b>103,000</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (343,279)</b>	<b>\$ (343,279)</b>	<b>445,099</b>	<b>\$ 788,378</b>
<b>FUND BALANCE - JULY 1, 2013</b>			<b>5,021,178</b>	
<b>FUND BALANCE - JUNE 30, 2014</b>			<b>\$ 5,466,277</b>	

See note to required supplementary information.

**ANTIETAM SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT BENEFIT PLAN**

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
Eligible Employees	1/1/2012	\$ -	\$ 760,555	\$ 760,555	0.00%	\$ 6,311,870	12.05%
Eligible Employees	1/1/2009	-	959,740	959,740	0.00%	5,981,555	16.04%

**ANTIETAM SCHOOL DISTRICT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2014**

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**BUDGETARY DATA**

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

**SUPPLEMENTARY INFORMATION**

**ANTIETAM SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Receipts for the Year	Accrued (Unearned) Revenue at June 30, 2013	Revenue	Expenditures	Accrued (Unearned) Revenue at June 30, 2014
<b>U.S. Department of Education</b>									
Passed through Commonwealth of Pennsylvania									
Department of Education:									
Title I: Grants to Local Educational Agencies	I	84.010	07/01/13-09/30/14	\$ 207,488	\$ 180,599	\$ -	\$ 207,488	\$ 207,488	\$ 26,889
Title I: Grants to Local Educational Agencies	I	84.010	07/01/12-09/30/13	227,480	90,978	90,978	-	-	-
Improving Teacher Quality State Grants	I	83.367	07/01/13-09/30/14	18,367	18,489	-	18,367	18,367	(122)
Improving Teacher Quality State Grants	I	84.367	07/01/12-09/30/13	21,105	(120)	(120)	-	-	-
Passed through Berks County Intermediate Unit:									
Special Education-Grants to States	I	84.027	07/01/13-09/30/14	181,854	29,108	-	181,854	181,854	152,746
Special Education-Grants to States	I	84.027	07/01/12-09/30/13	179,857	150,670	150,670	-	-	-
Race to the Top - Phase 3	I	84.413A	07/01/12-09/30/15	10,910	1,410	1,410	3,507	3,507	3,507
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>					<b>471,134</b>	<b>242,938</b>	<b>411,216</b>	<b>411,216</b>	<b>183,020</b>
<b>U.S. Department of Agriculture</b>									
Child Nutrition Cluster									
Passed through Commonwealth of Pennsylvania									
Department of Education:									
School Breakfast Program	I	10.553	07/01/13-06/30/14	N/A	27,563	-	27,563	27,563	-
School Breakfast Program	I	10.553	07/01/12-06/30/13	N/A	574	574	-	-	-
National School Lunch Program	I	10.555	07/01/13-06/30/14	N/A	199,133	-	199,133	199,133	-
National School Lunch Program	I	10.555	07/01/12-06/30/13	N/A	2,892	2,892	-	-	-
Subtotal					230,162	3,466	226,696	226,696	-
Passed through Commonwealth of Pennsylvania									
Department of Agriculture:									
National School Lunch Program - USDA Commodities	I	10.555	07/01/13-06/30/14	N/A	26,026	(1,668)	25,038	25,038	(2,656)
<b>TOTAL CHILD NUTRITION CLUSTER</b>					<b>256,188</b>	<b>1,798</b>	<b>251,734</b>	<b>251,734</b>	<b>(2,656)</b>
Passed through Penn State University:									
Farm to School Grant Program	I	10.575	01/01/13-12/31/13	2,500	1,250	-	1,250	1,250	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>					<b>257,438</b>	<b>1,798</b>	<b>252,984</b>	<b>252,984</b>	<b>(2,656)</b>
<b>TOTAL FEDERAL AWARDS</b>					<b>\$ 728,572</b>	<b>\$ 244,736</b>	<b>\$ 664,200</b>	<b>\$ 664,200</b>	<b>\$ 180,364</b>

I = Indirect Source of Funding

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2014**

**NOTE 1 - BASIS OF ACCOUNTING**

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The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting, which is the same basis used for the basic financial statements.

**NOTE 2 - FOOD COMMODITIES**

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Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, the District had \$2,656 of food commodity inventory.



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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

**To the Board of School Directors  
Antietam School District  
Reading, Pennsylvania**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Antietam School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Antietam School District's basic financial statements, and have issued our report thereon dated November 3, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Antietam School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Antietam School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Antietam School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Antietam School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Herbein + Company, Inc.*

**Reading, Pennsylvania**

**November 3, 2014**



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Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by OMB Circular A-133

**To the Board of School Directors  
Antietam School District  
Reading, Pennsylvania**

**Report on Compliance for Each Major Federal Program**

We have audited the Antietam School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Antietam School District's major federal programs for the year ended June 30, 2014. The Antietam School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Antietam School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Antietam School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Antietam School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Antietam School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Antietam School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Antietam School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Antietam School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**November 3, 2014**

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unmodified  
Internal Control Over Financial Reporting:  
Material weakness(es) identified?        yes   X   no  
Significant deficiency(ies) identified not considered to be  
material weaknesses?        yes   X   none reported  
Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal Control Over Major Programs:  
Material weakness(es) identified?        yes   X   no  
Significant deficiency(ies) identified not considered to be  
material weaknesses?        yes   X   none reported  
Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified  
Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133, Section .510(a)?        yes   X   no

Identification of Major Program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education-Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:       \$300,000      

Auditee qualified as low-risk auditee?   X   yes        no

**ANTIETAM SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2014**

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**Section II - Financial Statement Findings**

There were no financial statement findings reported.

**Section III - Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.

**ANTIETAM SCHOOL DISTRICT**

**STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2014**

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There were no prior year federal findings.